

Fighting poverty with USD 45 Bln investment

DP-News/ Maktoob, Dec. 12, 2010

Syria is moving forward with a new plan to develop its economy, launching a 45-billion-dollar scheme to bring out of poverty the one-in-seven of its citizens on insufficient incomes.

According to the UN Development Program's 2010 Human Development Index, which measures life expectancy, educational attainment and income, Syria ranks 111 out of 165 countries measured.

With 14 percent of Syrians living in poverty, and unemployment standing at 20 percent, Deputy Prime Minister for Economic Affairs Abdullah Dardari said last month the "challenges facing us are formidable."

The five-year plan, set to start next year, aims to invest 14 billion dollars (10.6 billion Euros) in human development -- education, health and social programs, officials say.

The rest will be aimed at infrastructure -- construction of a Damascus metro, a railroad from the capital to the Jordanian border, upgrading the Mediterranean ports of Tartus and Latakia, and modernizing Damascus airport.

As part of financing for the plan, Syria is to issue treasury bonds on Monday for the first time ever, placing about 107 million dollars in issues ranging from three months to five years in maturity.

It is also seeking help from international financial institutions, such as the World Bank. It hopes to enlist private sector participation to the tune of another 40 billion dollars, focusing on energy development in a country whose oil reserves are rapidly being depleted, water treatment and road and airport infrastructure.

The government is targeting 5.7 percent annual growth in gross domestic product during the five years, compared with only four percent in recent years.

However, independent economist Nabil Sukkar says Syria should aim for a GDP "growth rate of between eight and nine percent... to absorb the endlessly growing demand for jobs and to wipe out unemployment."

Part of the government's efforts to combat this problem will be to seek to reduce demographic growth to 2.1 percent from 2.4 percent.

Since President Bashar al-Assad took office in 2000, Syria has been striving to move away from its traditionally managed economy to a more open, competitive one.

But as Carnegie Middle East Centre director Paul Salem said this summer, while the authorities have "a clear economic vision... the changes are being made at a slow pace due to corruption, lack of transparency and freedom."

In a report in March, the International Monetary Fund noted the Syrian "authorities intend to continue to advance structural reforms in order to accelerate growth, diversify the economy and create employment."

It said progress had been made in many areas, including reducing import tariffs, easing import barriers, reforming fuel and agricultural subsidies and establishing a one-stop window for approving private investment.

The IMF recommended Syria resume fiscal consolidation, maintain current expenditure restraint and build on the progress made in reforming subsidies.

It urged Syria to complete preparations for introducing a goods and services tax next year, improve public

financial management and accelerate structural reforms, including liberalizing trade.

Syrian planning chief Amer Lotfi has said the aim is to have balanced growth, with "investment in such important sectors as agriculture and industry."

The agricultural sector is in severe crisis, suffering from drought and disease, which have driven more than a million people off their land and into the cities.

"The task is enormous; there are so many challenges that everyone seems to be the priority," said Sukkar.

In a review in July, economists warned the gap between rich and poor has grown due to economic reforms already put in place, the global financial crisis and a drought that has ravaged the northeast since 2006.

And with the phasing out of subsidies, the price of food and fuel has skyrocketed, hitting in particular the pockets of the less well-off.

Carnegie's Salem warned unless Damascus deals with the economic erosion, social unrest could follow. He said Syria should follow the example of neighboring Turkey.

"Thirty years ago (Turkey), now on its way to becoming a world economic power, resembled Syria of today," he says.